

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L HARARE 000569

SIPDIS

AF/EX
AF/S FOR BNEULING
EB/IFD FOR FCHISHOLM
NSC FOR SENIOR AFRICA DIRECTOR C. COURVILLE
TREASURY FOR OREN WYCHE-SHAW, STATE PASS USAID FOR MARJORIE
COPSON
ALL AFRICAN DIPLOMATIC POSTS

E.O. 12958: DECL: 12/31/2009

TAGS: [ECON](#) [ETRD](#) [PGOV](#) [ZI](#) [EINV](#)

SUBJECT: FOREX DEMAND EXPLODES

Classified By: Ambassador Christopher Dell for reasons 1.4 b/d

[11](#). (C) Summary: Importer demand for foreign exchange through official channels is setting new records. Traders continue to migrate to the parallel markets, where the zimdollar now trades at US\$16,000:US\$, down from Z\$8,000:US\$ in November. End Summary.

[12](#). (C) Demand at the Reserve Bank (RBZ),s twice-weekly auctions soared to a record US\$197 million on Monday. The RBZ continues to offer importers only US\$11 million at each auction. The RBZ turned back 8,063 of 8,136 bids for discounted foreign exchange, a refusal rate of over 99 percent. The auction rate remains around Z\$6,100:US\$.

[13](#). (C) Trading on the illegal but increasingly tolerated parallel currency markets has been brisk. A trader told Econoff today he now pegs the buy/sell midpoint at Z\$16,000:US\$. We estimate that nine of ten gas stations in Harare are dry today, a consequence of the fuel importers, inability to acquire forex at RBZ auctions.

[14](#). (C) Comment: With almost no reserves and miniscule inflows from remaining exports, the RBZ is powerless to prop up the country,s currency. It is even possible that the RBZ is selling less than US\$11 million at each auction, since it does not publish a list of auction winners. In our view, the GOZ will have to devalue the zimdollar significantly or accept a vibrant parallel market. We do not believe an official rate stronger than Z\$12,000:US\$ would arrest the zimdollar,s plunge and indecisive move of this kind could cause a further stampede on the zimdollar as confidence in its worth erodes further.
Dell